

FACT SHEET SUPPORT FOR FRANCHISES

Ex-Im Bank's short- and medium-term programs are available to overseas franchises and U.S. franchisors to support the financing of U.S. goods and service exports. It is envisioned that most of the support will be under Ex-Im Bank's Insurance Program.

ELIGIBILITY OF COSTS AND FEES

1. Franchising fees are eligible on a case-by-case basis. If the fee represents an equity investment, it is ineligible for Ex-Im Bank financing. For retail and commercial merchandising franchises where the fee supports the on-going purchases of U.S. goods and services and is not viewed as an equity contribution, Ex-Im Bank's short- and medium-term support may be appropriate.
2. Capital equipment is eligible for Ex-Im Bank medium-term support as long as it meets U.S. content standards.
3. Stocking and restocking are eligible for Ex-Im Bank's short-term insurance support. This would be in the form of an insurance policy that the franchisor would purchase to facilitate the discounting of accounts receivable.
4. Area development, master or multi-franchise fees are ineligible for support because they are viewed as an investment or equity contribution.
5. Royalties and other periodic fees for on-going services are ineligible for support as they are not considered U.S. exports.

CREDIT CONSIDERATIONS

For franchises that have been in business for at least three years:

1. Background data
2. Financial statements and projections
3. References

For new franchises:

In addition to Ex-Im Bank's regular information requirements, to evaluate the risk of a franchise transaction, Ex-Im Bank will review both the franchisor to make sure it has the ability to support the franchisee, and the franchisee's future cash flow to assess its ability to repay the debt.

Additional information on the franchisor:

1. The Uniform Franchise Offering Circular (UFOC) given to the franchisee (or similar information).
2. Debt rating, if available
3. Copy of contracts with franchisee
4. An assessment of the in-country conditions for the franchisor and an evaluation of franchise risks. (Possible sources for this assessment will be furnished upon request.)

Additional information on the franchisee:

1. Business plan
2. Cash flow projections for at least 5 years
3. List of all government approvals required and evidence that they have been provided
4. Itemization of all loans being made to the franchise

Three other U.S. Government agencies which also support franchising are the Overseas Private Investment Corporation at (202) 336-8799, the U.S. Small Business Administration at (202) 606-4000, and the U.S. AID Office of Investment at (202) 663-2660.

MORE INFORMATION

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